

Charleston Harbor Project Economic Development Assessment Summary

The Charleston Harbor Project Economic Task Force presented the first phase of a two phase *Economic Development Assessment* for the Charleston Harbor Project study area. The evaluation process was centered on four distinct steps: to document national, regional and state trends affecting development, to research the Charleston Harbor study area and its economy, to analyze constraints and potentials, and to develop an industrial recruitment resources assessment. The focus of the study, however, is centered on economic development issues, base reuse precedents and some of the competitive features inherent to the Charleston Harbor Project study area.

In order to understand the forces that will shape the future economy of the Tri-County region, it is important to identify the dynamics of the local economy. First and foremost of those forces is the important position that the state economic development agencies play in industrial recruitment. Over two-thirds of industrial prospects contact the state first. Usually the state has been asked to respond promptly to an inquiry, and the relative success of any one community will rest on its ability to respond quickly, thoroughly and precisely according the requests submitted by the prospect. It is critical to establish very close relations with the state economic development agency for future success.

In spite of what several studies have shown regarding various incentives, research clearly indicates that lower taxes have created more job recruitment. In addition to lower taxes, three major factors will influence site selection in the coming years; Just-In-Time (JIT) expectations will shift to the consumer, products will be mass customized, and political policy will become more dynamic and unpredictable.

Smaller communities and suburbs are now becoming more competitive than their larger city counterparts due to trends in decentralization, technology, minimalist philosophies and quality-of-life factors. The greater Charleston region should be encouraged by this trend. Corporate downsizing and reengineering will continue to

Charleston Harbor Project Economic Development Assessment Summary

affect location decisions because of increased global competition, lower profit margins, changes in technology and greater effectiveness of production processes due to mechanical and robotics advances.

Other significant events on the horizon include the changing role of the electric power system and the decline of labor unions. In the future, companies can purchase power from virtually any source in the country to get the best deals. Labor union clout has been declining over the past decade as smaller, leaner companies are required to hire workers and maintain an environment that fosters flexibility, quality and productivity. The Charleston region, and the state, enjoys a very low incidence of union membership and activity that is most attractive.

Another challenge facing the Charleston region, as in many areas across the country, is to drastically improve the education process and worker skills. Here again, the state can help in providing training skills; however, only the local communities can solve the education dilemma.

The national economy, as well as the Charleston economy, is in a state of flux and headed for some very significant changes. Reductions in military spending will have the greatest impact on the Charleston area. Areas providing opportunities for potential recruitment due to expansions and/or relocations in the coming years will include machine tools, electronic components, surgical appliances, automotive parts and accessories and surgical and medical instruments. These industries range in growth potential over the next years from 7.0% to over 24.0%.

The onset of the base closures and realignments will create a vacuum that will be difficult to fill in the near future. Additionally, the economy has traditionally relied on the military and tourism to provide jobs and general funds for the local tax base. As a result, the Tri-County economy is imbalanced and should concentrate its efforts not so much on recruiting industries that will be easy to attract but devote considerable effort

Charleston Harbor Project Economic Development Assessment Summary

in attracting companies that can provide greater balance to the economy in the long run.

Also, infrastructure capacity in the greater Charleston region is adequate, although the assimilative capacity of the rivers will be a concern to large users who wish to perform their own primary, secondary and tertiary treatment. It appears that this is a cause for concern with many of the existing industries. The availability of both CSX and Norfolk Southern to service the region is an outstanding attribute. Both companies are considered premier operators in the rail industry who compete actively against each other. The result is lower costs and excellent service. Of Considerable note is the short-line rail owned by the S.C. Rail Commission. The ability of the state to recruit rail dependent firms by providing an economic rate structure is a strength that is unique to the region. Obviously, the port of Charleston only enhances these services. It is considered one of the best ports on the East Coast.

The challenges facing the region are many; however, the opportunities are great to minimize the impact of the pending closures. The success of this will require a better understanding of the challenges facing the greater Charleston region and the magnitude of activity and effort which will be required to effect change.

The Greater Charleston Region is very large and diverse. The economic development agencies in the region reflect this diversity both in number and direction of their economic development strategies. As stated in the Phase I of this study, regional development authorities that promote the competitive advantages of the region devoid of any proprietary interest in a specific community or county have had, and will continue to have, consistently higher levels of success. The Charleston Regional Development Alliance is not only a center point for the coordination of efforts between the various development agencies, it is also the focal point whereby all recruitment efforts flow. It is our opinion that this is a prudent and strategic insight that is proper and effective.

Charleston Harbor Project Economic Development Assessment Summary

The overall objective of Phase 2 of the study was to integrate the goals and objectives of the Charleston Harbor Project into an economic development and target industry recruitment strategy. Phase I and Phase II have attempted to discuss the industrial recruitment process, evaluate the strengths and weaknesses of the Charleston region, assess the probability of success for economic development opportunities that exist and finally to discuss how the Charleston Harbor Project can help to facilitate this process. The primary objective of the Charleston Harbor Project is to accomplish the following:

1. To maintain and enhance the quality of the environment in the Charleston Harbor estuary system.
2. To maintain the range of uses of waters and natural resources of the Charleston Harbor estuary system.
3. To anticipate and address potential problems before adverse impacts occur.

As the primary objectives above indicate, preservation of the natural resources and maintenance of the quality of the environment for the Charleston Harbor region are supported by an approach to anticipate and address potential problems before they occur. There is no doubt that the environment is affected by industrial development. Furthermore there is no doubt that legislative mandates, both present and pending, can enforce compliance by industry and municipalities to prevent or halt adverse environmental impacts. The primary question that must be asked is: "Is enforcement of statutory regulations enough to obtain the goals and objectives set forth by the Charleston Harbor Project, or is it necessary to take a partnership approach to show the overall benefit to the community and industry by exceeding more than just the minimum regulatory limits."

If history has demonstrated anything, it is that *industries, as well as communities,*

Charleston Harbor Project Economic Development Assessment Summary

are driven by motives to maximize their benefit. The theory of basic economic principles has been proved to be true countless times. These benefits, which are many times in the form of monetary gain, includes other benefits that are intangible such as goodwill, community recognition, approval, etc.. In addition, the platitude that says *"water follows the path of least resistance"* is another factor that may seem simplistic, yet is nevertheless true. If it is easy to do it will most likely be performed and performed correctly. In contrast, if it is difficult, it only increases the chances that it will not be performed - or if performed probably performed incorrectly. In short, the questions posed previously, based on the logic presented in the last two paragraphs, would indicate that the most logical course of action would be for the Charleston Harbor Project to embark on a program that is not viewed as just another set of complicated environmental nuisance regulations, but rather an opportunity for surrounding industries and communities to make a real difference in the quality of the environment. At the same time, it is incumbent upon the Charleston Harbor Project to demonstrate that accomplishing the goals as set out by the Charleston Harbor Project will do much to enhance the long term economic health of the community as well as its quality of life. This is no a simple task to undertake; nevertheless, the following suggestions should be considered possible action items:

1. *The Charleston Harbor Project team should enlist the support of all the surrounding regulatory agencies to discuss how they can become advocates and promote economic development.*
2. *Devise a plan where any regulatory issues that are imposed on new or existing industries that require applications, approvals, modeling, etc.. are performed faster in Charleston, SC than anywhere in the United States.*
3. *Provide a permanent liaison that works with local economic*

Charleston Harbor Project Economic Development Assessment Summary

development agencies and industry.

4. ***Become part of the economic development process by being proactive.***
5. ***Provide in-house training to CHP employees and cooperating agencies on how to be outward/client-focused instead of inward/administrative-focused.***

Notice that none of the guidelines above suggest in any way that there should be special considerations, bending of rules or non-enforcement of regulations. In fact, this should never be inferred in any way. What the guidelines suggest is that the Charleston Harbor Project portray the image of an organization that wants industry and other agencies be viewed as responsible corporate citizens by making regulatory compliance as painless and easy as possible. As Phase I noted, most industries want to comply and even exceed standing regulations intentionally in many instances. It is the minority that tries to beat the system. Furthermore, once local industry and development agencies realize that they all have a stake in improving the quality of life and the environment and have an agency who is committed to helping them achieve this, compliance issues will be self policing to some extent.

Too often economic development officials as well as state and local environmental regulatory officials are at odds with each other. It is not unusual to see adversarial relationships continue to thwart the efforts of each. Those communities and states that have bridged the gap of misunderstanding find that both organizations are ultimately successful. Those that don't ultimately fail.

The Charleston region is unique. The habitat, culture, environment, quality of life, and history is like no other place in the South. It can be argued that Charleston is just another attractive city that is like many other cities offering similar or better location characteristics. Nothing could be further from the truth. Preservation of these features

Charleston Harbor Project Economic Development Assessment Summary

is critical to the economic future of the entire region and can only be accomplished by agencies, governments and industry all working toward a common goal. The Charleston Harbor Project will not be successful if it attempts to act in a vacuum. Furthermore, the future economic viability of the region hinges to a large degree on resolving many of the environmental challenges such as assimilative capacities of surrounding waterways, diminishment of significant habitat, etc.. Solutions to these problems will require shared leadership from all participants and creative thinking to share the responsibilities equally.

The actions necessary to make a significant impact on the future job losses as a result of the pending base closing will require decisive action. It was pointed out in Phase I that most major employment is not the result of local entrepreneurialship or new startups. Instead, there is conclusive evidence that new job growth and employment is primarily affected by large industrial expansions and relocations. The Charleston region cannot afford to ignore small business because it is quite possible that there is a mega-company in the making with every new business startup. The environment must be present to promote and encourage these developments.

One of the necessary ingredients to foster this kind of environment is a healthy economy. A healthy economy depends on jobs. *As a result, the state and the community must target several large industries that will be expanding and or relocating and do not simply compete against other communities but make sure that they win.* This spirit was manifested in the successful BMW recruitment and must be reincarnated again with every potential project in Charleston. It is necessary for the community to understand unequivocally that landing large projects will require an extremely close working relationship with the state. In short, it is incumbent upon the community to take the initiative to make the Charleston region an easy place to recruit industry for the state instead of the other way around. The foregoing industries are

**Charleston Harbor Project
Economic Development Assessment Summary**

opportunities where the Charleston region can excel.